

Nagpur Cancer Hospital and Research Institute Private Limited

December 01, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	35.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Long Term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	35.00 (₹ Thirty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Unsupported Rating	Withdrawn [Withdrawn]
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Note: Unsupported Rating does not factor in the explicit credit enhancement.

The earlier ratings assigned to the Nagpur Cancer Hospital and Research Institute Private Limited (NCHRI) was based on Corporate guarantee extended by the Healthcare Global Enterprises Limited (HCGEL; rated CARE A+; Stable) to NCHRI to secure its bank facilities. The said Guarantee to NCHRI has been removed and therefore earlier CE rating assigned to the company has been withdrawn. Accordingly, the unsupported rating assigned has also been withdrawn.

Detailed rationale and key rating drivers

The rating assigned to the bank facility of Nagpur Cancer Hospital and Research Institute Private Limited (NCHRI) derives strength from O&M agreement with HCG NCHRI Oncology LLP (HCG NCHRI; rated CARE A+; Stable) wherein it share revenue after retaining revenues sufficient enough for its debt repayment. The rating positively factors in the intention of HCGEL acquiring the controlling stake in the entity as per the latest stock exchange filings of HCGEL. The rating is however constrained by moderate financial risk profile with small scale of operations, geographical concentration risk with a single facility, exposure to highly regulated nature of industry and competition from other hospitals.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- HCGEL acquiring majority stake in the company

Negative factors – Factors that could lead to negative rating action/downgrade:

- Non-adherence to the agreement entered between HCG NCHRI Oncology LLP and NCHRI, leading to tightening of liquidity position.

Detailed description of the key rating drivers

Key rating strengths

Revenue from operations adequate to meet operational expenses and debt servicing obligations due to presence of revenue sharing agreement: NCHRI is a land holding company on which HCG NCHRI Oncology LLP is operating an oncology hospital. NCHRI had entered into an O&M agreement with HCG NCHRI Oncology as per which NCHRI will raise the invoice and collect the revenue from the hospital services offered and HCG NCHRI Oncology will be responsible for operations and maintenance of the hospital in return for a consideration. As per the O&M agreement, out of the total revenue earned NCHRI will retain the funds required to meet its operational expenses as well as for debt servicing obligations (principal and interest) and transfer the remaining fund to HCG NCHRI Oncology LLP. As a result of this agreement, NCHRI is able to meet its fund requirements without any support from HCGEL.

Key rating weaknesses

Exposure to regulatory risk and competition from other hospital chains: The company remains exposed to competition from other hospital chains. Further, company operates in a regulated industry that has witnessed continuous regulatory intervention during the past couple of years. Regulations such as restrictive pricing regulations instated by the central and state governments and stricter compliance norms can have adverse impact on the margins of the company. However, consumption of tobacco, obesity, and unhealthy lifestyles have largely contributed to the growing incidences of cancer in India. Additionally,

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

with lack of access to quality healthcare facilities and under penetration of healthcare service in India bodes well for company's operations with strong brand image and geographical diversification and the same is expected to aid in improvement in occupancy levels.

Liquidity: Adequate

Liquidity of the entity derives from financial flexibility from the presence of O&M agreement with HCG NCHRI Oncology which is responsible for operation and maintenance of the hospital and is a part of HCG group. As part of the agreement, revenue to the extent of operational expenses and debt service obligations are retained in the company and remaining are remitted to HCG NCHRI Oncology LLP.

Analytical approach: Standalone approach along with presence of O&M agreement with HCG NCHRI Oncology LLP(HCG NCHRI : rated CARE A+; Stable) is considered while assigning the rating.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Hospital](#)

[Policy on Withdrawal of Ratings](#)

About the company

Nagpur Cancer Hospital and Research Hospital Private Limited (NCHRI Pvt Ltd), incorporated on July 18, 2012 by two doctors, Dr. Ajay Mehta and Dr. Suchitra Mehta.

The company owns the land on which HCGEL has set up and operating a 115 bedded oncology hospital under HCG NCHRI Oncology LLP (held 76% by HCGEL). The hospital started operations from FY18 onwards.

NCHRI entered into an operational and management (O&M) agreement with HCGEL through HCG NCHRI Oncology LLP. As per the agreement, NCHRI raises invoices for the hospital services provided and post setting aside money to meet its debt servicing obligations, remaining revenue earned is remitted to HCG NCHRI Oncology LLP which is responsible for O&M of the hospital.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	September 30, 2022*
Total operating income	6.94	7.72	NA
PBILDT	6.57	7.41	NA
PAT	0.08	2.06	NA
Overall gearing (times)	-5.13	-6.06	NA
Interest coverage (times)	1.60	2.28	NA

A: Audited; UA: Unaudited; NA: Not Available; *No financials available post March 31, 2022(A)

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	May 2027	0.00	Withdrawn
Fund-based - LT-Term Loan	-	-	-	May 2027	35.00	CARE BBB-; Stable
Un Supported Rating-Un Supported Rating (Long Term)	-	-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE A (CE); Stable (03-Feb-22)	-	-
2	Un Supported Rating-Un Supported Rating (Long Term)	LT	-	-	-	1)CARE BB (03-Feb-22)	-	-
3	Fund-based - LT-Term Loan	LT	35.00	CARE BBB-; Stable				

LT: Long term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	- Minimum Security cover of 1.5x
B. Non-financial covenants	-Hospital to operate under "HCG" brand through HCG NCHRI Oncology LLP

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Un Supported Rating-Un Supported Rating (Long Term)	Simple

Annexure-5: Bank lender details for this companyTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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